

TOWNSHIP OF SODUS
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sodus	County Berrien
Fiscal Year End March 31, 2008	Opinion Date June 17, 2008	Date Audit Report Submitted to State June 18, 2008	

We affirm that:

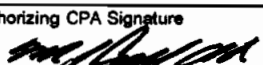
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040		
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI	Zip 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell		License Number 1101007803

**TOWNSHIP OF SODUS
Berrien County, Michigan**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9-10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-17
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	18
Budgetary Comparison Schedule – Road Fund	19
Budgetary Comparison Schedule – Library Fund	20
Other Supporting Information:	
General Fund Expenditures by Detailed Account	21-22
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	23

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 17, 2008

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sodus, Berrien County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sodus's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sodus, Berrien County, Michigan as of March 31, 2008 and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sodus covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$1,622,628.63 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$554,259.71 from governmental activities. Governmental activities had a \$114,857.60 increase in net assets.

Taxable value was \$59,841,229.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Road Fund and the Library Fund.

TOWNSHIP OF SODUS
Berrien County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	1 273 004	1 406 974
Capital Assets	<u>238 183</u>	<u>218 413</u>
Total Assets	<u>1 511 187</u>	<u>1 625 387</u>
Current Liabilities	3 416	2 758
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>3 416</u>	<u>2 758</u>
Net Assets:		
Invested in Capital		
Assets	238 183	218 413
Restricted	148 827	144 131
Unrestricted	<u>1 120 761</u>	<u>1 260 085</u>
Total Net Assets	<u><u>1 507 771</u></u>	<u><u>1 622 629</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges		
for Services	78 950	81 730
Operating Grants and		
Contributions	-	10 371
General Revenues:		
Property Taxes	218 836	240 530
State Revenue Sharing	159 336	159 733
Interest	48 549	52 942
Miscellaneous	<u>12 812</u>	<u>8 954</u>
Total Revenues	<u>518 483</u>	<u>554 260</u>
Program Expenses:		
Legislative	5 092	5 092
General Government	169 680	172 829
Public Safety	139 216	130 549
Public Works	17 359	64 516
Recreation and Culture	46 199	59 860
Other	<u>6 692</u>	<u>6 556</u>
Total Expenses	<u>384 238</u>	<u>439 402</u>
Increase in Net Assets	134 245	114 858
Net Assets, April 1	<u>1 373 526</u>	<u>1 507 771</u>
Net Assets, March 31	<u><u>1 507 771</u></u>	<u><u>1 622 629</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is funding public safety.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$20,741.00 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk at 269-461-6448 or Township Treasurer at 269-926-6343. The Township Hall is located at 4056 King Drive, Sodus, Michigan. Office hours are Monday, Wednesday and Friday from 9:00 a.m. to 1:00 p.m.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 384 988 59
Taxes receivable	<u>21 985 59</u>
Total Current Assets	<u>1 406 974 18</u>
NONCURRENT ASSETS:	
Capital Assets	896 214 80
Less: Accumulated Depreciation	<u>(677 801 73)</u>
Net Capital assets	<u>218 413 07</u>
TOTAL ASSETS	<u><u>1 625 387 25</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 758 62</u>
Total Current Liabilities	<u>2 758 62</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>2 758 62</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	218 413 07
Restricted for library	144 130 70
Unrestricted	<u>1 260 084 86</u>
Total Net Assets	<u>1 622 628 63</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 625 387 25</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	5 092 00	-	-	(5 092 00)
General government	172 828 33	17 313 34	-	(155 514 99)
Public safety	130 549 21	44 536 92	10 370 50	(75 641 79)
Public works	64 516 14	-	-	(64 516 14)
Culture and recreation	59 860 12	19 879 83	-	(39 980 29)
Other	6 556 31	-	-	(6 556 31)
Total Governmental Activities	<u>439 402 11</u>	<u>81 730 09</u>	<u>10 370 50</u>	<u>(347 301 52)</u>
General Revenues:				
Property taxes				240 530 37
State revenue sharing				159 732 79
Interest				52 942 21
Miscellaneous				<u>8 953 75</u>
Total General Revenues				<u>462 159 12</u>
Change in net assets				<u>114 857 60</u>
Net assets, beginning of year				<u>1 507 771 03</u>
Net Assets, End of Year				<u>1 622 628 63</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	530 323 53	677 783 78	176 552 39	1 384 659 70
Taxes receivable	9 032 30	10 850 92	2 102 37	21 985 59
Due from other funds	<u>328 89</u>	<u>-</u>	<u>-</u>	<u>328 89</u>
Total Assets	<u>539 684 72</u>	<u>688 634 70</u>	<u>178 654 76</u>	<u>1 406 974 18</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>2 758 62</u>	<u>-</u>	<u>-</u>	<u>2 758 62</u>
Total liabilities	<u>2 758 62</u>	<u>-</u>	<u>-</u>	<u>2 758 62</u>
Fund equity:				
Fund balances:				
Reserved for library capital improvements	-	-	128 449 93	128 449 93
Reserved for library memorials	-	-	15 680 77	15 680 77
Unreserved:				
Undesignated	<u>536 926 10</u>	<u>688 634 70</u>	<u>34 524 06</u>	<u>1 260 084 86</u>
Total fund equity	<u>536 926 10</u>	<u>688 634 70</u>	<u>178 654 76</u>	<u>1 404 215 56</u>
Total Liabilities and Fund Equity	<u>539 684 72</u>	<u>688 634 70</u>	<u>178 654 76</u>	<u>1 406 974 18</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 404 215 56
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	896 214 80
Accumulated depreciation	<u>(677 801 73)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 622 628 63</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:				
Property taxes	97 476 27	119 839 30	23 214 80	240 530 37
Licenses and permits	49 387 76	-	-	49 387 76
State grant	10 370 50	-	-	10 370 50
State revenue sharing	158 135 00	-	1 597 79	159 732 79
Charges for services	12 462 50	-	-	12 462 50
Penal fines	-	-	19 879 83	19 879 83
Interest	33 160 96	15 018 37	4 762 88	52 942 21
Miscellaneous	4 985 24	-	3 968 51	8 953 75
Total revenues	<u>365 978 23</u>	<u>134 857 67</u>	<u>53 423 81</u>	<u>554 259 71</u>
Expenditures:				
Legislative:				
Township Board	5 092 00	-	-	5 092 00
General government:				
Supervisor	12 222 68	-	-	12 222 68
Elections	2 754 65	-	-	2 754 65
Assessor	28 127 42	-	-	28 127 42
Clerk	12 731 00	-	-	12 731 00
Board of Review	450 00	-	-	450 00
Treasurer	12 136 00	-	-	12 136 00
Building and grounds	7 850 24	-	-	7 850 24
Cemetery	21 824 81	-	-	21 824 81
Unallocated	71 010 25	-	-	71 010 25
Public safety:				
Code enforcement	3 023 80	-	-	3 023 80
Fire protection	39 862 88	-	-	39 862 88
Ambulance	12 299 00	-	-	12 299 00
Protective inspection	39 561 93	-	-	39 561 93
Planning Commission	5 080 50	-	-	5 080 50
Public works:				
Highways and streets	-	45 439 56	-	45 439 56
Street lights	5 721 38	-	-	5 721 38
Drains	9 987 03	-	-	9 987 03
Culture and recreation:				
Parks	1 641 17	-	-	1 641 17
Library	-	-	55 518 95	55 518 95
Other functions:				
Social security	6 556 31	-	-	6 556 31
Capital outlay	20 741 00	-	-	20 741 00
Total expenditures	<u>318 674 05</u>	<u>45 439 56</u>	<u>55 518 95</u>	<u>419 632 56</u>
Excess (deficiency) of revenues over expenditures	<u>47 304 18</u>	<u>89 418 11</u>	<u>(2 095 14)</u>	<u>134 627 15</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfers in	-	-	3 500 00	3 500 00
Operating transfers out	(3 500 00)	-	-	(3 500 00)
Total other financing sources (uses)	(3 500 00)	-	3 500 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	43 804 18	89 418 11	1 404 86	134 627 15
Fund balances, April 1	493 121 92	599 216 59	177 249 90	1 269 588 41
Fund Balances, March 31	<u>536 926 10</u>	<u>688 634 70</u>	<u>178 654 76</u>	<u>1 404 215 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 134 627 15

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(40 510 55)
Capital Outlay	<u>20 741 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 114 857 60

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sodus. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 4.0523 mills, and the taxable value was \$59,841,229.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 390 707 15</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	244 433 46
Uninsured and Uncollateralized	<u>1 234 711 81</u>
Total Deposits	<u>1 479 145 27</u>

The Township of Sodus did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
<u>Governmental Activities:</u>				
Land	72 211 91	-	-	72 211 91
Buildings and improvements	383 842 30	-	-	383 842 30
Equipment	391 784 59	20 741 00	-	412 525 59
Infrastructure	27 635 00	-	-	27 635 00
Total	875 473 80	20 741 00	-	896 214 80
Accumulated Depreciation	(637 291 18)	(40 510 55)	-	(677 801 73)
Net Capital Assets	<u>238 182 62</u>	<u>(19 769 55)</u>	<u>-</u>	<u>218 413 07</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$44,136.92 and building permit expenses of \$39,561.93.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	227 03	Agency	227 03
General	<u>101 86</u>	Current Tax Collection	<u>101 86</u>
Total	<u>328 89</u>	Total	<u>328 89</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Library	<u>3 500 00</u>	General	<u>3 500 00</u>
Total	<u>3 500 00</u>	Total	<u>3 500 00</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	98 000 00	98 000 00	97 476 27	(523 73)
Licenses and permits	39 100 00	53 100 00	49 387 76	(3 712 24)
State grant	-	10 400 00	10 370 50	(29 50)
State revenue sharing	150 000 00	155 000 00	158 135 00	3 135 00
Charges for services	-	-	12 462 50	12 462 50
Interest	16 000 00	21 000 00	33 160 96	12 160 96
Miscellaneous	10 500 00	-	4 985 24	4 985 24
Total revenues	313 600 00	337 500 00	365 978 23	28 478 23
Expenditures:				
Legislative:				
Township Board	5 092 00	5 092 00	5 092 00	-
General government:				
Supervisor	12 080 00	12 380 00	12 222 68	(157 32)
Elections	2 000 00	3 500 00	2 754 65	(745 35)
Assessor	27 900 00	29 500 00	28 127 42	(1 372 58)
Clerk	12 731 00	12 731 00	12 731 00	-
Board of Review	675 00	675 00	450 00	(225 00)
Treasurer	12 136 00	12 136 00	12 136 00	-
Building and grounds	9 800 00	9 800 00	7 850 24	(1 949 76)
Cemetery	23 600 00	23 600 00	21 824 81	(1 775 19)
Unallocated	84 786 00	92 586 00	71 010 25	(21 575 75)
Public safety:				
Code enforcement	5 200 00	5 200 00	3 023 80	(2 176 20)
Fire protection	35 700 00	41 600 00	39 862 88	(1 737 12)
Ambulance	12 300 00	12 300 00	12 299 00	(1 00)
Protective inspection	27 400 00	44 400 00	39 561 93	(4 838 07)
Planning Commission	9 100 00	8 100 00	5 080 50	(3 019 50)
Public works:				
Street lights	5 900 00	6 200 00	5 721 38	(478 62)
Drains	4 000 00	11 000 00	9 987 03	(1 012 97)
Culture and recreation:				
Parks	4 400 00	4 500 00	1 641 17	(2 858 83)
Other functions:				
Social security	7 500 00	10 000 00	6 556 31	(3 443 69)
Contingency	344 800 00	336 200 00	-	(336 200 00)
Capital outlay	23 500 00	23 000 00	20 741 00	(2 259 00)
Total expenditures	670 600 00	704 500 00	318 674 05	(385 825 95)
Excess (deficiency) of revenues over expenditures	(357 000 00)	(367 000 00)	47 304 18	414 304 18
Other financing sources (uses):				
Operating transfers out	(20 000 00)	(20 000 00)	(3 500 00)	16 500 00
Total other financing sources (uses)	(20 000 00)	(20 000 00)	(3 500 00)	16 500 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(377 000 00)	(387 000 00)	43 804 18	430 804 18
Fund balance, April 1	377 000 00	387 000 00	493 121 92	106 121 92
Fund Balance, March 31	-	-	536 926 10	536 926 10

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	115 000 00	115 000 00	119 839 30	4 839 30
Interest	-	-	15 018 37	15 018 37
Total revenues	<u>115 000 00</u>	<u>115 000 00</u>	<u>134 857 67</u>	<u>19 857 67</u>
Expenditures:				
Public works:				
Highways and streets	<u>694 000 00</u>	<u>694 000 00</u>	<u>45 439 56</u>	<u>(648 560 44)</u>
Total expenditures	<u>694 000 00</u>	<u>694 000 00</u>	<u>45 439 56</u>	<u>(648 560 44)</u>
Excess (deficiency) of revenues over expenditures	(579 000 00)	(579 000 00)	89 418 11	668 418 11
Fund balance, April 1	<u>579 000 00</u>	<u>579 000 00</u>	<u>599 216 59</u>	<u>20 216 59</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>688 634 70</u>	<u>688 634 70</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	21 000 00	22 000 00	23 214 80	1 214 80
State revenue sharing	1 000 00	1 500 00	1 597 79	97 79
Penal fines	20 000 00	20 000 00	19 879 83	(120 17)
Interest	-	-	4 762 88	4 762 88
Miscellaneous	1 000 00	2 760 00	3 968 51	1 208 51
Total revenues	<u>43 000 00</u>	<u>46 260 00</u>	<u>53 423 81</u>	<u>7 163 81</u>
Expenditures:				
Culture and recreation:				
Library	<u>47 250 00</u>	<u>67 100 00</u>	<u>55 518 95</u>	<u>(11 581 05)</u>
Total expenditures	<u>47 250 00</u>	<u>67 100 00</u>	<u>55 518 95</u>	<u>(11 581 05)</u>
Excess (deficiency) of revenues over expenditures	<u>(4 250 00)</u>	<u>(20 840 00)</u>	<u>(2 095 14)</u>	<u>18 744 86</u>
Other financing sources (uses):				
Operating transfers in	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Total other financing sources (uses)	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(750 00)</u>	<u>(17 340 00)</u>	<u>1 404 86</u>	<u>18 744 86</u>
Fund balance, April 1	<u>25 500 00</u>	<u>45 965 00</u>	<u>177 249 90</u>	<u>131 284 90</u>
Fund Balance, March 31	<u>24 750 00</u>	<u>28 625 00</u>	<u>178 654 76</u>	<u>150 029 76</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Fees and per diem	<u>5 092 00</u>
Supervisor:	
Salary	11 580 00
Telephone	<u>642 68</u>
	<u>12 222 68</u>
Elections	<u>2 754 65</u>
Assessor:	
Contracted services	22 278 91
Supplies	<u>5 848 51</u>
	<u>28 127 42</u>
Clerk:	
Salary	<u>12 731 00</u>
Board of Review:	
Wages	<u>450 00</u>
Treasurer:	
Salary	<u>12 136 00</u>
Building and grounds:	
Utilities	1 697 99
Repairs and maintenance	<u>6 152 25</u>
	<u>7 850 24</u>
Cemetery:	
Wages	15 552 65
Supplies	300 91
Opening and closing graves	4 900 00
Equipment maintenance and repairs	<u>1 071 25</u>
	<u>21 824 81</u>
Unallocated:	
Wages	5 842 51
Legal	12 138 00
Supplies	3 498 60
Printing and publishing	1 010 29
Dues and conferences	2 129 58
Contracted services	8 076 31
Audit	3 000 00
Insurance	24 696 00
Telephone	1 442 24
Utilities	398 15
Miscellaneous	8 477 77
Repairs and maintenance	<u>300 80</u>
	<u>71 010 25</u>
Code enforcement	<u>3 023 80</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Fire protection:	
Salaries and wages	19 248 60
Operating supplies	4 328 54
Maintenance and repairs	5 843 95
Telephone	1 152 57
Utilities	4 375 52
Insurance	1 666 00
Miscellaneous	3 247 70
	<u>39 862 88</u>
Ambulance	<u>12 299 00</u>
Protective inspection:	
Contracted services	39 104 43
Miscellaneous	457 50
	<u>39 561 93</u>
Planning Commission:	
Wages	3 071 00
Contracted services	1 679 50
Supplies	330 00
	<u>5 080 50</u>
Street lighting:	
Utilities	<u>5 721 38</u>
Drains	<u>9 987 03</u>
Parks	<u>1 641 17</u>
Social security	<u>6 556 31</u>
Capital outlay	<u>20 741 00</u>
Total Expenditures	<u><u>318 674 05</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2008

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>338 91</u>	<u>731 182 99</u>	<u>731 420 04</u>	<u>101 86</u>
<u>Liabilities</u>				
Due to other funds	338 91	223 796 43	224 033 48	101 86
Due to others	-	<u>507 386 56</u>	<u>507 386 56</u>	-
Total Liabilities	<u>338 91</u>	<u>731 182 99</u>	<u>731 420 04</u>	<u>101 86</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>6 506 22</u>	<u>9 721 49</u>	<u>10 282 12</u>	<u>5 945 59</u>
<u>Liabilities</u>				
Due to other funds	877 66	848 59	1 499 22	227 03
Due to others	<u>5 628 56</u>	<u>8 872 90</u>	<u>8 782 90</u>	<u>5 718 56</u>
Total Liabilities	<u>6 506 22</u>	<u>9 721 49</u>	<u>10 282 12</u>	<u>5 945 59</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>6 845 13</u>	<u>740 904 48</u>	<u>741 702 16</u>	<u>6 047 45</u>
<u>Liabilities</u>				
Due to other funds	1 216 57	224 645 02	225 532 70	328 89
Due to others	<u>5 628 56</u>	<u>516 259 46</u>	<u>516 169 46</u>	<u>5 718 56</u>
Total Liabilities	<u>6 845 13</u>	<u>740 904 48</u>	<u>741 702 16</u>	<u>6 047 45</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 17, 2008

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the financial statements of the Township of Sodus for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sodus
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants